

BEFORE THE IDAHO BOARD OF TAX APPEALS

KEITH ALLAN RICH FAMILY TRUST,)	
)	
Appellant,)	APPEAL NO. 14-A-1037
)	
v.)	FINAL DECISION
)	AND ORDER
GEM COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Gem County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RP00383411. The appeal concerns the 2014 tax year.

This matter came on for hearing September 17, 2014 in Emmett, Idaho before Board Member Leland Heinrich. Keith and Priscilla Rich appeared at hearing for Appellant. Assessor Rick Johnston represented Respondent.

Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision.

The issue on appeal concerns the market value of an improved residential parcel.

The decision of the Gem County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$47,190 and the improvements' valuation is \$370,110, totaling \$417,300. Appellant contends the correct land value is \$40,000, and the improvements' valuation is \$280,000, totaling \$320,000.

The subject property consists of 5.903 rural acres located outside Emmett, Idaho. The parcel is improved with a two-level, 3,956 square foot residence constructed in 2009. Attached to the residence is a 460 square foot deck and an 890 square foot garage. The property is

further improved with a 2,880 square foot detached outbuilding, which was estimated by Respondent to be 95% complete.

Appellant purchased the subject property in December 2012 for \$350,000. The total 2012 assessed value was \$227,639, which was increased to \$340,629 for 2013, and to \$417,300 for 2014. Appellant questioned the large value increase in such a short time span. Respondent explained subject's increase in assessed value was due to market appreciation during 2013, and the addition of the large outbuilding on the property. On average, assessed land values in the county increased 33% and overall values increased more than 6% during 2013. Applying the trend factors in addition to the \$42,670 value attributed to subject's new outbuilding resulted in the higher overall 2014 assessed value. Respondent further added some value for a bathroom believed to have been finished in the residence prior to the assessment date. Appellant stated the bathroom was not finished and explained there were no plans to finish it. The space is currently used for storage.

Appellant provided information on five (5) properties regarded as comparable to subject. Each of the properties was located either west or southwest of Emmett, similar to subject, and all were located within seven (7) miles of subject. The first was a 37.7 acre parcel improved with a 3,059 square foot residence. Appellant noted the total assessed value was \$337,170. The next two (2) compared properties were both 2013 sales. The twenty (20) acre parcel improved with a 2,572 square foot residence sold in December 2013 for \$369,000. The other involved a 3,872 square foot residence situated on a five (5) acre parcel. The June 2013 sale price was \$300,000. The fourth property offered was five (5) acre parcel improved with a 2,846 square foot residence. The total assessed value for 2014 was \$236,440. Lastly, Appellant referenced

a 2014 sale involving a 3,520 square foot residence attached to a 4.9 acre rural parcel. The property sold in May 2014 for \$285,680.

In addition to the above properties, Appellant provided information concerning two (2) active listings. The first was a 23.44 acre parcel improved with a 2,223 square foot residence. The 2014 asking price for the property was \$379,900. The other listing concerned a 3,201 square foot residence situated on a five (5) acre parcel, with an asking price of \$339,900. Appellant reported this latter property was pending sale as of September 16, 2014 at a price of \$329,900.

Respondent offered information on five (5) sales from 2012 and 2013 for comparison to subject. Sale Nos. 1 through 4 were located within approximately 10 miles of subject. The residences ranged in size from 2,553 to 3,723 square feet, with lot sizes between 1.286 and 5.118 acres. The remaining sale was located more than 16 miles from subject. The 4,422 square foot residence, situated on a 4.084 acre parcel, sold in May 2013 for \$470,000. Respondent made value adjustments for individual physical differences between subject and the sale properties. The adjustments addressed value factors such as bathroom count, square footage, lot size, and age. In addition, an upward time adjustment of 0.5% per month was applied to the sale prices to reflect the market appreciation during 2013.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2014 in this case. Market value is defined in Idaho Code § 63-201, as,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

In *Merris v. Ada County*, the Idaho Supreme Court identified three (3) primary methods for determining market value, “. . . the cost approach . . . the income approach, applicable to “income producing property” . . . and the [sales comparison] approach, in which value of the assessed property is ascertained by looking to current open market sales of similar property.” 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Both parties provided recent sales information relevant to the sales comparison approach. Appellant also provided assessment information for several properties. While the Board appreciates Appellant's effort in this regard, a comparison of assessed values is not a recognized appraisal approach. As such, the Board afforded less weight to the assessment information.

The Board was also reluctant to place much emphasis on the two (2) listings offered by Appellant. Asking prices can help estimate the upper limit of value, however, actual selling prices are regarded as more reliable indicators of value. Furthermore, in this particular case, the asking prices on January 1, 2014, were not apparent in the record.

What remains of Appellant's value evidence is two (2) sales from 2013. One (1) of the sales concerned a 2,572 square foot residence situated on a 20 acre parcel. The subject property is a 5.9 acre parcel improved with a 3,956 square foot residence. Major value adjustments would be necessary to make a meaningful comparison between subject and this

particular sale. The other sale property, involving a five (5) acre lot and a 3,872 square foot residence, better resembled subject. This latter sale also included a large outbuilding like subject. The property sold in June 2013 for \$300,000 as a short sale.

Respondent's value evidence consisted exclusively of recent sales. The sale residences were generally similar to subject in terms of size, though Sale No. 2, at 2,553 square feet was notably smaller. Likewise land sizes of the sale properties were generally comparable to subject's, except Sale No. 4, which was 1.286 acres. There were other notable differences between subject and the sales, however, Respondent made individual line-item adjustments for physical differences such as size, age, bathroom count, and others. Overall, the adjustments appeared reasonable and Respondent's value conclusions were found to be relatively well-supported.

In most instances a recent arm's-length sale of the property being examined is strong evidence of its market value. Such is the case here with subject's open market transaction in December 2012. Appellant's concern regarding subject's 2014 assessed value of \$417,300 given its purchase for \$350,000 is understandable. However, several things happened during that intervening year to explain or mitigate the "red flag" increase. First, the local real estate market during 2013 appreciated more than 6% according to sales analysis. Second, and more importantly, Appellant added a 2,880 square foot outbuilding to the property. Both of these factors must be considered in determining subject's value on January 1, 2014. Using the Marshall & Swift cost manual, Respondent calculated a value of \$42,670 for the new outbuilding, which reflected the building being 95% complete. Adding this value, plus the market appreciation factor resulted in subject's considerably higher assessed value for 2014.

While Respondent's analysis was well-received by the Board, there was an item of concern. For 2014, Respondent added an additional finished bathroom to subject's physical characteristics and increased the assessment accordingly. It was learned at hearing, however, the bathroom was not finished. As such, an adjustment is warranted. On the limited record before us, the Board will reduce the value of subject's residence by \$5,000 to account for this error.

In appeals to the Board, the value determined by Respondent is presumed correct and the burden of proving error by a preponderance of the evidence is Appellant's. Idaho Code § 63-511. In this instance the Board does not find the burden of proof satisfied, with the exception of the "extra" bathroom. Appellant provided only one (1) timely sale generally similar to subject. Respondent's analysis included five (5) sales, each of which were adjusted to account for differences compared to subject. In all, Respondent's valuation analysis was regarded as more thorough and better-supported.

Based on the above, the decision of the Gem County Board of Equalization is modified to reflect a reduction in the value of subject's residence by \$5,000, with no changes to other elements of subject's valuation.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED the decision of the Gem County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease in the combined value of the improvements to \$365,110, with no change in the land valuation of \$47,190, resulting in a total assessed value of \$412,300.

IT IS FURTHER ORDERED that any taxes which have been paid in excess of those

determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellant.

DATED this 4th day of November, 2014.